

Message Text

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TAGS: ECRP EAID IBRD IDB ADB

SUBJ: WORLD BANK REVIEWS ECONOMY

REF: STATE A-7648, 9/6/73

1. BEGIN SUMMARY: MANUEL ZENICK DIVISION CHIEF AND GARY HYDE COUNTRY PROGRAM ECONOMIST FOR THE BANK RECENTLY VISITED COLOMBIA TO REVIEW THE GENERAL ECONOMIC SITUATION AND WE THINK TO MAKE RECOMMENDATIONS ON HOW BANK SHOULD PROCEED WITH ITS PROGRAMS UNTIL NEW GOVERNMENT IS ELECTED IN AUG 74. FINATT MET WITH RES REP QUIJANO TO DISCUSS CONCLUSIONS FORMED BY VISITING TEAM. IT APPEARS THAT TEAM LEFT COLOMBIA WITH MIXED FEELINGS ABOUT GOC'S ECONOMIC POLICIES. BANK LIKELY TO ADOPT SIMILAR STRATEGY AS USG IN DEALING WITH ASSISTANCE PROGRAM UNTIL ELECTIONS. END SUMMARY.

2. QUIJANO STATED THAT VISITING TEAM CAME AWAY WITH MIXED FEELINGS. ON THE POSITIVE SIDE THE BANK EXPECTS THE ECONOMY TO GROW THIS YEAR BY 7.5 PERCENT IN REAL TERMS AND BALANCE OF PAYMENTS PERFORMANCE IS EXPECTED TO BE VERY GOOD. ON THE OTHER HAND, INFLATION STILL LOOMS AS COLOMBIA'S NUMBER ONE ECONOMIC PROBLEM. IN THE FIGHT AGAINST INFLATION, THE GOC PROBABLY RECEIVED POOR MARKS FROM THE VISITING TEAM. QUIJANO TICKED OFF SEVERAL POINTS TO SUBSTANTIATE THE CONCLUSION. GOVT CONTRACTIONARY

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CREDIT POLICY IS MISDIRECTED. IT HAS THUS FAR CHOKED OFF SOME

PRIVATE SECTOR ACTIVITY IN FAVOR OF GOVT SECTOR CREDIT EXPANSION. POOR REVENUE COLLECTION IN REAL TERMS WILL BE A MAJOR CAUSE OF INFLATION AGAIN THIS YEAR. THE BANK SEEMS PARTICULARLY CONCERNED THAT GOC HAS SHOWN A PREFERENCE FOR BORROWING ABROAD AT COMMERCIAL TERMS TO FINANCE LOCAL COSTS. WHILE THE BANK UNDERSTANDS THE GOC RELUCTANCE TO MOVE AT THIS TIME WITH MAJOR FISCAL POLICY MEASURES TO FIGHT INFLATION IT DOES NOT UNDERSTAND GOC UNWILLINGNESS TO DO MORE ON THE MONETARY SIDE (I E OPEN MARKET OPERATIONS TO SOAK UP EXCESS LIQUIDITY OF PESOS IN THE ECONOMY).

3. THE BANK TEAM MET WITH ALL THE MAJOR PRESIDENTIAL CANDIDATES AND OFFERED TO WORK CLOSELY WITH EACH OF THEM IF ELECTED. THE BANK PLANS TO STEP UP CONTACT WITH THE CANDIDATES AS THE ELECTION GROWS NEARER. THE BANK PLANS TO SEND ANOTHER SMALL ECONOMIC GROUP IN MARCH TO REVIEW 1973 PERFORMANCE AND PROSPECTS FOR 1974. IN ADDITION IT PLANS TO SEND ANOTHER ECONOMIC MISSION IN LATTER PART OF 74 TO PREPARE FOR THE CONSULTATIVE GROUP MEETINGS IN DECEMBER. HOWEVER IF LOPEZ IS ELECTED THE TIME TABLE MAY BE CHANGED SINCE HE HAS EXPRESSED INTEREST IN A BANK VISIT SHORTLY AFTER THE ELECTIONS TO GIVE HIM ADVICE ON HOW TO PROCEED WITH HIS ECONOMIC PROGRAM.

4. IMPRESSION HERE IS THAT BANK PLANS TO FOLLOW BASICALLY THE SAME STRATEGY AS US MISSION DURING THE PREELECTION PERIOD. BANK DOES NOT PLAN TO COME DOWN TOO HARD OR TOO LOUD ON THOSE ECONOMIC POLICIES CURRENTLY IN EFFECT WHICH BANK BELIEVES SHOULD EITHER BE CHANGED OR STRENGTHENED. BANK WILL PROBABLY DISBURSE ON EXISTING LOANS AS FAST AS GOC CAN ABSORB THEM. IT APPEARS THAT BANK WILL NOT PUSH GOC TO MEET DISBURSEMENT SCHEDULES.

WHITE

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